ADAPTIVE AD SYSTEMS, INC.

Television Advertising Solutions for the 21st Century

Trading Symbol: AATV

Company Information and Continuing Disclosure Statement

For the Period Ending:

September 30, 2018

ADAPTIVE AD SYSTEMS, INC.

Information and Disclosure for the period ending September 30, 2018

The Company voluntarily reports information through the OTC Markets web-based platform. This document constitutes part of the Company's voluntary reporting and should be read in conjunction with other filings by the Company.

FORWARD LOOKING STATEMENTS

This periodic disclosure contains forward-looking statements. To the extent that any statements made in this report contain information that is not historical, these statements are essentially forward looking. Forward-looking statements can be identified by the use of words such as "expects", "plans", "may,", "anticipates", "believes", "should", "intends", "estimates", and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, marketability of our products; legal and regulatory risks associated with being a publicly listed company; our ability to raise additional capital to finance our activities; the effectiveness, profitability and; the future trading of our common stock; our ability to operate as a public company; our ability to protect any proprietary information we own or may develop; general economic and business conditions; the volatility of our operating results and financial condition; our ability to attract or retain qualified senior management personnel and research and development staff; expansion into various geographic markets of cable television ad-insertion and television ad sales; and other risks detailed from time to time in our filings with the OTC Markets (the "OTC"), or otherwise.

Information regarding relevant markets and industry contained in this report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not undertake any obligation to publicly update any forward-looking statements. As a result, investors should not place undue reliance on these forward-looking statements.

1) Name of the issuer and its predecessors (if any) within the past five years

Adaptive Ad Systems, Inc. (6/17/2014 to current)
Adaptive Media, Inc. (4/15/2014 to 6/17/2014)
Praebius Communications, Inc. (12/30/2007 to 4/15/2014)

2) Address of the issuer's principal executive offices

Company
Address: 4400 NE 77th Avenue , Suite 275, Vancouver, Washington 98662
Phone: 310-321-4958
Email: info@aatv.co
Website: www.aatv.co

IR Contact - N/A

3) Security Information

Trading Symbol:		AATV	
Exact title and class of securities outstanding:		Common Stock	
CUSIP:		00650A100	
Par or Stated Value:		$.001 both common and preferred	
Total shares authorized as of:	9/30/2018:	500,000,000	common
		100,000,000	preferred
Total shares outstanding as of:	9/30/2018:	47,730,628	common
		500,000	preferred

Transfer Agent
VStock Transfer, 18 Lafayette Place, Woodmere, NY 11598; Phone: 212-828-8436

Is the Transfer Agent registered under the Exchange Act?* Yes: **X** No:

List any restrictions on the transfer of security: None

Trading suspension orders issued by the SEC in the past 12 months: None

Any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization within the past 12 months or currently anticipated: None

4) Issuance History of Stock, Options, and Warrants.

Amount

Date	Security Amount	Type of Security	Recipient	Purpose
1/2016	100,000	Common	Service Provider	Contract services
	100,000	Warrants - Exercisable at $1.10		
5/2016	1,500,000	Common**	Dignitas Consulting	Contract services
8/2016	400,000	Common	Private Investor	Private placement of $200,000

None of the foregoing issuances were registered in any jurisdiction.

** During the second quarter of 2016, the Company contingently issued 1,500,000 shares for a prepaid consulting contract for future business consulting and market development. The shares delivered were to be held pending completion of all contingencies to the contract. The Company later learned that the shares were sold to third parties prior to fulfillment of contingencies. Consequently, the Company demanded either return of the shares or payment of consideration. At year-end, the Company had received 800,000 shares back from transferees. Dignitas represented to the Company that over 450,000 additional shares would be returned for cancellation by year-end 2017. That did not occur. The Company currently anticipates commencing litigation in the near future. For transferees who fail to return or pay for the shares received, the Company will be forced to include them in litigation to cancel shares and to recover damages.

Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act: Yes.

5) Financial Statements

Unaudited financial statements for the period ending **September 30, 2018** are attached hereto and posted to www.otcmarkets.com.

6) Issuer's Business, Products and Services

Date and State (or Jurisdiction) of Incorporation: December 1994 - Nevada
The issuer's fiscal year end date: December 31
The issuer's primary and secondary SIC Codes:
7319-02 (Advertising-television), and
3663 (Television communications equipment)

Principal business, products, services, and their markets:

Adaptive Ad Systems, Inc. ("the Company") represents the consolidated and merged companies Praebius Communications, Inc., which was incorporated in Nevada in December 1994 and Adaptive Media, Inc., which was incorporated in Nevada in March of 2013. Additionally, the Company had previously acquired the operations of Ad Systems, Inc., a Utah corporation organized in 1984, which developed the foundational intellectual property of the Company's ad insertion technology. Since 2015, the Company also owns and operates Adaptive Broadband, an Oregon wireless broadband business. Adaptive Broadband acquired the customer base of Speedpal, a similar business which had been providing services in Oregon and Washington since 2003, and continues to expand service areas and customers.

Thus, the Company, functioning as a holding company, is the product of merging or acquiring several longstanding business entities, assets and new state of the art technology. As a result of these combined activities, the Company is currently cash flow positive and profitable.

The Company is engaged in the cable television (CATV) and online media advertising business, which provides the majority of the Company's revenue. To pursue its business plans, the Company develops, manufactures, markets, deploys, and operates its proprietary video ad-insertion technology. The Company's technology is primarily "cloud-based," which allows the Company to manage thousands of locations from a central hub with a minimal number of employees. This operational structure provides competitive scalability in the markets it pursues.

The Company's proprietary technology enables the Company to build and create new business revenue segments in the traditional CATV industry and generate revenue by deploying its ad-insertion technology in previously un-served and under-served markets. Together, these segments comprise a potential market opportunity of more than thirty million households (referred to in the industry as "subscribers").

Utilizing technology developed by the Company over a period exceeding three decades, the Company is already a leading turnkey technology based provider of CATV ad insertion equipment and ad-sales to small cable television operators. The Company is also an independent provider of DMA (Designated Market Area) based Cable TV advertising sales and commercial delivery in the United States. Furthermore, the Company is actively creating many un-wired markets, particularly in University Campuses and Multi-Dwelling-Units (MDU's).

The Company's main objective is to 1) create "advertising avails" inventory on all major CATV networks across the country where previously there was no inventory, and 2) provide reliable and high quality representation for the newly-created advertising inventory. In conducting its business, the Company also provides media solutions for local, regional and national advertisers by inserting advertising into major CATV networks such as ESPN, MTV, DISCOVERY, CNN, LIFETIME, A&E, FOX NEWS, TNT and SPIKE, as well as providing advertising solutions to a large un-served market by utilizing proprietary technologies.

With the mainstream acceptance and explosion of internet services, many television and advertising industry watchers predicted that traditional television advertising would soon become a thing of the past. That was twenty years ago. Despite the evolution of video technology with its availability on multiple platforms and through multiple services, television advertising remains a robust and a growing source of revenue for the Company.

The Company provides advertising insertion products and services to cable television head-ends that are either conventional or consumer satellite systems, as well as any streaming or IP delivery systems. Our services include acquiring advertising sales from local, regional and national advertisers, scheduling, and traffic and billing. The Company's operations are primarily carried out in-house. There are over 210 designated marketing areas in the United States and the Company has deployed over 160 systems into over one hundred of these markets in approximately 34 states.

The Company does not sell its technology and, therefore, installs its own proprietary software and servers and maintains full ownership and control pursuant to long-term contracts. Such contracts create an exclusive relationship between the cable television or digital video provider and the Company.

Due to the growth of mobile technology (smart phones, tablets, etc.), today's advertisers are learning the value of splitting their advertising spending between CATV and on-line streaming media, as well as over-the-top (OTT) video streaming. The Company intends to continue development of its products and services to meet the needs of customers as technology and customer needs evolve. To remain relevant and competitive, the Company continues to invest in research and development of new products, technologies, and services.

7) Issuer's Facilities

The Company's primary offices are leased office space in Vancouver, Washington and Mesa, Arizona. The Company also leases flex-office space in New York City, Chicago, and Los Angeles. The Company does not own any physical facilities.

8) Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons. J. Michael Heil is currently the sole officer and director of the Company. Mr. Heil has served as the Company's Director and President/CEO for over five years.

B. Legal/Disciplinary History. Whether any of the foregoing persons have, in the past five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses): None.

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities: None.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated: None.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities: None.

C. Beneficial Shareholders (5% or more) at September 30, 2017

J. Michael Heil, (Dir/CEO/Pres; 14,708,663 shares (1)(2).
c/o 4400 NE 77th Avenue , Suite 275, Vancouver, Washington 98662

Wilmark Investments LLC; 11,559,063 shares (1); Mark Cragun Owner/President.
6126 East Paradise Lane, Scottsdale, AZ 85254

(1) Includes shares held directly or through affiliate entities.

(2) Through ownership of preferred shares, Mr. Heil may vote an additional 50 million shares.

9) <u>Third Party Providers</u>

Legal Counsel
Procopio, Hargreaves & Savitch LLP
12544 High Bluff Drive, Suite 300, San Diego, CA 92101

Accounting
Main Street Consulting and Accounting Services, Inc.
299 South Main, Suite 1300, Salt Lake City, Utah 84111

Investor Relations Consultant: (NA)

10) Issuer Certification

I, J. Michael Heil, hereby certify that:

1. I have reviewed this periodic Disclosure Statement of Adaptive Ad Systems, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

This information and Certification is effective as November 14, 2018.

<u>/s/ J. Michael Heil</u>
Chairman and CEO

ADAPTIVE AD SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND YEAR ENDED

SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
FOR THE PERIOD ENDED

	SEPTEMBER 30, 2018	DECEMBER 31, 2017
ASSETS		
CURRENT ASSETS		
Cash	$ 1,972,230	$ 1,298,673
Accounts Receivable - Trade (Net)	2,287,730	1,462,362
Interest Receivable	72,422	45,854
Short Term Notes	519,750	388,590
Short Term Notes - Related Party	908,691	809,044
Prepaid Expenses	385,608	380,000
Total	6,146,431	4,384,523
EQUIPMENT (Net)	1,913,493	1,515,166
NOTES RECEIVABLE - LONG TERM	87,000	87,000
OTHER LONG TERM ASSETS	3,123	1,098
TOTAL ASSETS	$ 8,150,047	$ 5,987,787
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 540,999	$ 299,407
Accrued Interest	155,155	154,935
Taxes Payable	578,352	247,200
Prepaid Revenue	6,105	-
Short Term Notes Payable - Related Party	281,291	450,323
Short Term Notes Payable	19,500	19,500
Current Portion - Long Term Debt	9,501	-
Total	1,590,903	1,171,365
LONG TERM DEBT		
Notes Payable	28,499	-
STOCKHOLDERS' EQUITY		
Preferred Stock, $.001 Par Value, 100,000,000 Shares Authorized 500,000 Shares Outstanding	500	500
Common Stock, $.001 Par Value, 500,000,000 Shares Authorized, 47,730,628 and 48,530,628 Shares Issued and Outstanding	47,731	47,731
Additional Paid in Capital	4,398,642	4,398,642
Treasury Stock	(225,000)	-
Retained Earnings	2,308,772	369,548
Total	6,530,645	4,816,422
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,150,047	$ 5,987,787

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE PERIODS

	THREE MONTHS ENDED SEPTEMBER 30, 2018	THREE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2018	NINE MONTHS ENDED SEPTEMBER 30, 2017
REVENUES	$ 2,076,410	$ 1,066,924	$ 5,196,457	$ 2,718,403
COST OF REVENUES	514,078	278,261	1,164,049	782,786
	-			
GROSS PROFIT	1,562,332	788,663	4,032,408	1,935,617
EXPENSES				
Advertising	143	-	143	7,607
Cable System Repairs and Maintenance	34,843	94,050	270,163	212,238
Car Repair	9,584	8,877	9,584	8,877
Commissions	99,045	60,270	247,635	139,145
Computer Repair & Supplies	2,737	4,679	2,737	4,679
Consulting	17,091	19,250	77,200	56,650
Credit Card Charges	6,193	1,520	9,452	3,950
Donations	-	522	-	522
Fuel	3,323	2,902	9,299	6,442
Insurance	5,804	4,124	17,549	9,360
Internet	-	610	-	610
Legal	15,249	10,000	58,249	31,500
Legal Filings	761	5,900	2,146	8,070
Miscellaneous	754	-	1,616	3,112
Office	7,453	1,434	15,734	5,571
Outside Services	100,804	125,838	346,970	357,711
Payroll & Payroll Taxes	184,318	147,316	510,196	437,840
Postage and Shipping	5,396	3,234	12,853	10,007
Professional and Consulting Services	12,010	2,400	12,010	2,400
Publications	-	-	1,690	2,585
Rent	17,109	12,734	51,068	44,823
Services Charges	384	318	1,303	1,394
Telephone	4,356	6,439	21,134	14,784
Travel	32,006	26,850	96,526	96,362
Transfer Agent	1,696	1,686	6,799	7,286
Utilities	1,719	372	3,329	1,557
Total Operating Expenses	562,778	541,325	1,785,385	1,475,082
NET OPERATING INCOME	999,554	247,338	2,247,023	460,535
OTHER NON OPERATING INCOME/EXPENSES	-			
Interest Income	8,986	10,175	26,884	21,575
Interest Expense	(913)	(2,958)	(1,513)	(9,795)
Miscellaneous Income	7,000	-	7,000	-
Net Non Operating Income/(Expenses)	15,073	7,217	32,371	11,780
NET PROFIT/(LOSS) BEFORE TAXES	1,014,627	254,555	2,279,394	472,315
	-			
TAXES	(74,470)	(76,000)	(340,170)	(76,000)
	-			
NET PROFIT/(LOSS)	$ 940,157	$ 178,555	$ 1,939,224	$ 396,315
NET PROFIT/(LOSS)				
PER SHARE OF COMMON STOCK	$ 0.0197	$ 0.0037	$ 0.0406	$ 0.0082
FULLY DILUTED EARNINGS PER SHARE	$ 0.0197	$ 0.0037	$ 0.0406	$ 0.0082
BASIC AVERAGE SHARES OUTSTANDING	47,730,628	48,530,628	47,730,628	48,530,628
FULLY DILUTED AVERERAGE SHARES OUTSTANDING	47,730,628	48,530,628	47,730,628	48,530,628

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS

	NINE MONTHS ENDED SEPTEMBER 30, 2018	NINE MONTHS ENDED SEPTEMBER 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 1,939,224	$ 396,315
Adjustments to Reconcile Net Income		
Depreciation and Amortization	427,656	341,765
To Net Cash (Used)/Provided by Operations		
Increase (Decrease) in Current Assets:		
Receivables	(851,936)	56,325
Short Term Notes	(230,808)	(726,581)
Prepaid Expenses	(5,608)	9,129
Increase (Decrease) in Liabilities:		
Accounts Payable	241,592	(1,403)
Accrued Interest	220	8,874
Short Term Loans	(169,032)	70,150
Taxes Payable	331,183	76,000
Prepaid Revenue	6,105	-
Net Cash Provided by Operating Activities	1,688,596	230,574
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits and Other Long Term Assets	(2,025)	-
Increase in Long Term Notes	-	(24,000)
Purchase of Treasury Stock	(225,000)	-
Purchase of Equipment and Other Assets	(826,014)	(708,004)
Net Cash (Used) by Investing Activities	(1,053,039)	(732,004)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Debt for Purchase of Fixed Asset	38,000	-
Net Cash Provided by Financing Activities	38,000	-
NET INCREASE (DECREASE) IN CASH	673,557	(501,430)
CASH AT BEGINNING OF PERIOD	1,298,673	1,921,994
CASH AT END OF PERIOD	$ 1,972,230	$ 1,420,564
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Period For:		
Interest	$ 1,513	$ -
Income Taxes	$ 9,016	$ -

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:
For the Nine Months Ended September 30:
None

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 2017 TO SEPTEMBER 30, 2018

	PREFERRED STOCK	PAR	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED DEFICIT/ EARNINGS
BALANCE, JANUARY 1, 2017	500,000	$ 500	47,730,628	$ 47,731	$ 4,398,642	$ (180,145)
NET INCOME FOR THE PERIOD	-	-	-	-	-	549,693
BALANCE, DECEMBER 31, 2017	500,000	500	47,730,628	47,731	4,398,642	369,548
NET INCOME FOR THE PERIOD	-	-	-	-	-	1,939,224
BALANCE, SEPTEMBER 30, 2018	500,000	$ 500	47,730,628	$ 47,731	$ 4,398,642	$ 2,308,772

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Operations

Adaptive Ad Systems, Inc. is a Nevada corporation originally incorporated under the name of Synergetic Technologies, Inc. on December 30, 1994 (hereafter "The Company"). The Company has been an active corporation from its inception and has completed several name changes over the years – Synergetic Technologies, Inc. (1994-2007), Praebius Communications, Inc. (2007 to 2014), Adaptive Media, Inc. (2014), and the current name of Adaptive Ad Systems, Inc. (changed on June 17, 2014).

The Company is involved in the video media advertising business in the cable TV, television and streaming media markets throughout the United States, catering to smaller cable and television operations. The Company also operates wireless internet service providing broadband, telephone and video services.

The Company currently has three operating subsidiaries - Ad Systems, Inc., Adaptive Media, Inc. and Adaptive Broadband, Inc. Adaptive Broadband, Inc. was created in 2015 to provide wireless and broadband services to private homes and businesses in the northwest Oregon and southern Washington area. Ad Systems and Adaptive Media function as the operating entities for the Company's nation-wide advertising business. Additionally, these subsidiaries have been maintained for contractual, administrative, and name recognition purposes. All subsidiaries are 100% owned by the Company and are reported under the consolidated operations as Adaptive Ad Systems, Inc.

Basis of Presentation

The Company prepares its financial statements in conformity with generally accepted accounting principles in the US. In the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair statement of the financial position at September 30, 2018, the results of operations and cash flows for the months and years, presented have been made.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the US requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The Company's balance sheets include the following financial instruments: cash, short term notes receivable, accounts receivable – trade, accounts payable – trade, deposits, interest receivables and payables, loans from related party and non-related parties. The carrying amounts of current assets and current liabilities approximate their fair value due to the relatively short period of time between the origination of these instruments and their expected realization. The carrying values of the notes payable to related party approximates fair value based on borrowing rates currently available to the Company for instruments with similar terms and remaining maturities.

Fair Value Measurement

All financial and nonfinancial assets and liabilities were recognized or disclosed at fair value in the financial statements. This value was evaluated on a recurring basis (at least annually). Generally accepted accounting principles in the US define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. The accounting principles also established a fair value hierarchy which require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measure fair value. Three levels of inputs were used to measure fair value.

Level 1: Quotes of market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that were corroborated by market data.
Level 3: Unobservable inputs that were not corroborated by market data.

Income Taxes

The Company accounts for income taxes using the liability method. As such, deferred tax assets and liabilities are recorded based on the differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purpose, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

The Company has not recognized any deferred tax assets in association with losses incurred from marketable equity securities transactions, due to tax limitations and uncertainties concerning its ability to generate taxable income in future periods. That is expected to change for the tax year ended December 31, 2017 and 2018 now that the Company has realized a book net income for the last three years and will used all of its net operating loss carryforward in the year 2017.

The deferred tax liability 2017 tax year been estimated at $221,000 with a book tax liability of $230,000 and a current payment of $9,000. There was an adjustment in the estimated future tax liability timing difference due to the change in the corporate tax rate in the new tax law enacted for 2018.

The tax liability for the first nine months of 2018 is based on current tax law and the current book income. Any book and actual tax differences for 2018 is yet to be determined until the end of the year when tax law options of deferring tax are considered.

Earnings per Share

Basic earnings (loss) per share calculations are determined by dividing net income (loss) by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share are determined by dividing net income (loss) by the weighted average number of shares and options (as if exercised) available at the end of the year. At September 30, 2018 and December 31, 2017, there were no financial instruments that were convertible to common stock, in particular, the preferred stock. As for stock equivalent calculations for the stock options, the exercise price is more than the open market price or other sources including direct offerings (recent transactions) from the corporation and would not be considered as a stock equivalent since it would be less expensive to buy the stock from the market or direct from the corporation rather than exercise stock options at the option price.

Cash and Cash Equivalents and Possible Risks on Cash Deposits

All cash accounts of the Company are maintained in a major financial institution in the United States. Deposits with this bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed on demand and, therefore, bear minimal risk. The Company considers all highly liquid investments purchased with an original maturity of six months or less to be cash equivalents.

Stock Issuances/Prepaid Expenses

During the first quarter of 2016, the Company issued 100,000 common shares as an incentive for a new five-year contract with additional customers. The Company also issued 50,000 shares of common shares for legal services. The stock was estimated to be valued at $.50 based on current purchases of common stock. The 100,000 shares issued for the new contract was capitalized as prepaid expenses and is being amortized over the life of the new contract.

During the second quarter of 2016, the Company contingently issued 1,500,000 shares for a prepaid consulting contract for future business and market development. The contingent contract becomes null and void if the contract terms are not met. The stock was valued at $.50 per share ($750,000) based on current cash purchases of common stock through existing and new stockholders. The issuance was classified as a prepaid expense and will be either expensed or cancelled depending on the results of the contract. The shares delivered were to be held by the consultant pending completion of all contingencies to the contract. Due to current information regarding this contract, the Company is reviewing potential legal action to cancel all shares delivered to the consultant. (See Legal Matters)

There have been no stock issuances in 2017 or the first nine months of 2018.

Treasury Stock

The Company purchased 400,000 shares of common stock from an investor in the first quarter of 2018. The shares are currently booked as treasury stock until the Company decides to either resale the stock or cancel the shares.

Recently Issued Accounting Pronouncements

The Company has adopted the Financial Accounting Standards Board (FASB) Accounting Standards. Codification (ASC) 105-10, Generally Accepted Accounting Principles – Overall (ASC 105-10), which was formerly known as SFAS 168, ASC 105-10 establishes the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with US GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative US GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of grandfathered, non-SEC accounting literature not included in the Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the codification, provide background information about the guidance and provide the basis of conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

In May 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance regarding Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IRFSs, which results in common requirements for measuring fair value and for disclosing information.

Revenue Recognition

The Company will recognize revenue in accordance with Accounting Standards Codification subtopic 605-10, Revenue Recognition (ASC 605-10), which requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exits, (2) delivery has occurred, (3) the selling price is fixed and determinable, and (4) collectability is reasonably assured.

Property and Equipment

Property and Equipment is stated at cost. Depreciation is computed by the straight-line method over estimated useful lives. The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the depreciation period is warranted. Based on its most recent analysis, the Company believes that no impairment of property and equipment exists at September 30, 2018.

The Company currently has the following classes of equipment: computer and computer software used for installations at local cable television headend locations and for selected centralized ad insertion operations (depreciated over 4 years), leasehold improvements (depreciated over 5 years), and transportation equipment (depreciated over 5 to 7 years). Current depreciation expense is for the nine months of 2018 is $427,656

Accounts Receivable

The Company has accounts receivable with well-established advertising and marketing agencies that have routinely proven their reliability on payments over the years. With this record of established collections, the Company does not estimate its bad debt, but only writes off uncollectable receivables on a case by case basis as identified by management. There was an estimate of bad debt write offs (related to periods before 2017) in 2018 of approximately $5,000.

Short Term Loans-Related Party

The Company has made several non-affiliate and affiliate loan transactions. Two loans were made last year and are secured by properties that the loans were used for purchase. These loans carry a simple interest rate of 3%

Another loan is a revolving loan from the principle owner where funds are loaned and paid back on an as needed basis depending on cash flow. Currently, the Company has been profitable for the last several years and the cash flow has been sufficient to have the loan balance paid below zero so that now a receivable exists as of September 30, 2018. The balance owed in years past has exceeded over $1,000,000, but is now just over $250,000 as a receivable. The Company has made no demand on the collection of the receivable since the loan was in a payable position for many years in the past.

Short Term Loans

The Company has entered into several loan arrangements with individuals and other companies that have a close relationship with AATV through working on projects that have a mutual benefit to all parties. Some loans are interest bearing from 5% to 8% and others are non-interest bearing depending on the anticipated loan periods, relationship, and type of the project.

Notes Receivable – Long Term

The Company entered into long term loans (2 years) to a foreign corporation with a 9% interest rate. The loan is secured by the corporation and by real estate that the corporation owns.

Notes Payable – Long Term

During the third quarter, the Company purchased a piece of equipment that will be used for excavation and site preparation at various communication tower sites for its broadband business in Oregon. The equipment was purchased for $58,000, with a $20,000 down payment and payments of $791 over four years for the balance of the purchase (0% financing). This financing arrangement was offered by the seller as an incentive to purchase the equipment.

Stock Options

At the time shares of common stock were issued to employees of the Company in May 2015, the Company also issued 2,400,000 stock options to the same employees. The options are exercisable at $1.00 and vest at a rate of 25% of the options every six months, fully vesting the options after 24 months. The options expire after three years. Management has yet to determine whether the exercise period of the options will be extended beyond the three-year term.

Currently, there is no reliable or reasonable valuation of the options because there is no market for the Company's options and the price of the Company's stock is so thinly traded that it is difficult to utilize traditional valuation methods, or any other valuation method, by comparing the exercise price, the book value of the stock, and the current quoted market price of the stock. Therefore, no cost has been associated with the issuance of the options. Any valuation of common stock issuances are valued at recent common stock purchases for cash.

Leases for Shared Offices and Other Working Locations/Tower Rental Locations

The Company has strategically located three flex-space offices around the country on month to month or year to year occupancies. The Company has decided to cancel two of the three locations, with the one remaining location in Vancouver, Washington.

The Company also has a 2,000 square foot operating office/warehouse in Salem, Oregon where the broadband subsidiary operates. The lease is month to month and costs $1,000 per month. The wireless and broadband subsidiary also has short term leases in various parts of its operating territory where space is rented to install towers and operating equipment for the wireless signal for paying customers. All of the leases are generally month to month (some 12 months at a time) and the expense of such arrangements is about $2,700 to $3,500 per month.

Legal Matters

During the second quarter of 2016, the Company contingently issued 1,500,000 shares for a prepaid consulting contract for future business consulting and market development. The shares delivered were to be held pending completion of all contingencies to the contract. Due to information received in the fall of 2016 regarding transfer of shares prior to fulfillment of contingencies, the Company demanded return of the shares or payment of consideration. At December 31, 2017, the Company had received 800,000 shares back from transferees. Dignitas represented to the Company that the remaining shares would be returned for cancellation. That has not occurred. The Company is currently evaluating its intentions to commence litigation in the near future if circumstances don't change.